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SUBJECT: D/Sec Lew Discusses Assistance Cooperation with MFA and  
MASHAV

¶1. (SBU) Summary: Deputy Secretary Jacob J. Lew met February 21 with Deputy Foreign Minister Danny Ayalon, and separately with MFA Director General Yossi Gal and MASHAV (Israel's foreign aid agency) head Haim Divon to discuss bilateral cooperation in development assistance and Israel's OECD accession, among other issues. In both meetings, it was agreed that the U.S. and Israel would explore the possibility of coordinating our development assistance efforts where feasible. DFM Ayalon also asked for USG assistance in placing an Israeli candidate as Assistant Director General for International Cooperation at UNESCO.  
MASHAV-USAID Cooperation

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¶2. (SBU) On February 21, D/Sec Lew met with GOI Deputy Foreign Minister Danny Ayalon, MFA Director General Yossi Gal and MASHAV (Israel's Foreign Aid agency in acronym) head Haim Divon to discuss shared interests in development assistance, Israel's OECD membership accession, and Palestinian WTO observership. Ayalon was accompanied by Deputy DG for North American Affairs Barukh Bina; Gal was joined by Irit Ben-Abba, Deputy DG of Economic Affairs and Gershon Kedar from the North American Department. D/Sec Lew was accompanied by DCM, Deputy Special Envoy for Middle East Peace Mara Rudman, and Piper Campbell and Jennifer Butte-Dahl of his staff.

¶3. (SBU) Divon had just returned from Haiti, and described the situation there as dire in humanitarian and infrastructure terms. He praised the USG presence and role in Haiti, noting it was an essential component that lent some sense of order and security. Without the important U.S. military role the situation would be far worse. Israel's own efforts in Haiti in the short term remained post-trauma medical care and assistance with water and sanitation to avoid post-catastrophe diseases like cholera. Long term, Israel expects to work with capacity building in Haiti's public health infrastructure, and agricultural sector, including low pressure irrigation systems and other water technologies - areas in which Israel specializes.

¶4. (SBU) Haiti was the first of four areas in which Divon proposed the U.S. and Israel work in partnership. He also noted Indonesia, India and Sub-Saharan Africa. In Indonesia, Israel trains practitioners in emergency preparedness, emergency medical services, and focuses particularly on Banda Aceh province, which was heavily affected by the 2005 tsunami. Gal noted the quiet, helpful assistance of the U.S. in working to strengthen ties between Indonesia and Israel. Divon went on to discuss MASHAV's work in India, which presents a desperate need for agricultural outreach and new technologies. MASHAV can offer expertise in tropical fruit crops (mangos, pomegranates, olives, citrus) and water management tools (irrigation and wastewater treatment). Because 45% of India's people still work in the agricultural sector, this is a priority for the Indian government; desperation among farmers has led to a rash of suicides. Sub-Saharan Africa also presents the need for a MASHAV Techno-Agriculture Innovation for Poverty Alleviation (TIPA) program. Divon noted that USAID and MASHAV already work jointly on agricultural programs in Ethiopia and Kenya.

¶5. (SBU) Dep FM Ayalon raised a recently signed MOU between Israel and Germany laying out specified areas of expertise and noted that a similar framework between the U.S. and Israel would be helpful D/Sec

Lew took note of the potential for USAID and MASHAV cooperation and noted Secretary Clinton's personal interest in the idea of trilateral cooperation. Lew agreed with both Ayalon and Gal (in separate meeting) that the U.S and Israel share common strategic interests and that opportunities for coordination should be discussed further at the technical level. Lew pledged to discuss with USAID Administrator Shah upon his return to Washington. Divon also brought up the idea of an annual USAID-MASHAV dialogue, which can be further discussed at the technical level.

¶6. (SBU) Divon announced that Israel would host the 27th International Women Leaders Conference in 2011. Although the date had not yet been fixed, International Women's Day (March 8th) is one option, and the GOI would like to invite the Secretary to be the keynote speaker. Lew said he would convey this invitation to the Secretary. Ayalon asked that if the Secretary were unable to accept the invitation, the USG would consider sending another appropriate female leader in her stead.

Towards OECD Accession

¶7. (SBU) Gal introduced the OECD accession topic noting that the end of the process was near. Irit Ben Abba detailed the timeline from now until May 29, when ideally the OECD Council will announce the acceptance of the three applicant countries as members. Due to the recently reached U.S.-Israel IPR agreement, the OECD Trade Committee can favor Israeli accession - although the EU now seeks a roadmap toward a comparable bilateral IPR agreement of its own. Ben-Abba was confident of Trade Committee approval, however, and also of approval from the Anti-bribery Committee at its March 16 meeting. The Statistics Committee remained a concern; the GoI had just submitted new language for the footnote concerning Israeli statistics, which include data from outside of green-line Israel. The issue is subject to politicization, which could spread to the three sessions of the OECD Membership Council scheduled before the

end of May. There is also a question whether the PA will take some action to deter approval. While the GoI expects political statements, it may want some help from the U.S. to contain them.

¶8. (SBU) Lew observed that until now the accession process had not been politicized, and he hoped it would not become so. He assured the Israelis that the U.S. was following the issues carefully.

Addressing Palestinian Issues

¶9. (SBU) DFM Ayalon said that Israel would like to intensify its cooperation with the U.S. on Palestinian economic development. He noted that Israel would like to strengthen Israeli-Palestinian business to business contacts and work to further integrate the Palestinian and Israeli economies through the introduction of a private sector model where Israeli businessmen and experts could talk directly to their Palestinian counterparts. This made sense since eventually Israel would be the largest market for Palestinian goods and services.

¶10. (SBU) D/Sec Lew noted that Palestinians needed an easier flow of goods and greater predictability, since they did not know on a daily basis what Israeli-imposed restrictions would allow them to do. Stressing that "uncertainty is a barrier to business investment," Lew noted that the biggest need was for economic development that created jobs. Improved security conditions were the prerequisite for economic development. Ayalon said that Israel had expected Saudi Arabia to make a significant financial investment - perhaps \$10 billion - to help the Palestinians develop an industrial base in the West Bank but was disappointed that instead the Saudis mostly supported Palestinian expenditures. Ayalon then claimed that Palestinians receive per capita double what Europeans received under the Marshall Plan, in adjusted dollars.

¶11. (SBU) Lew noted the challenges inherent in working in Gaza, highlighting the recent Israeli changes in visa rules. Ayalon claimed that Israel's policy of limiting Gaza access and isolating Hamas had been vindicated, since polling showed that if a democratic election were held in Gaza today, Hamas would receive only 18 percent of the vote. Ayalon said that there was no lack of food or medicine in Gaza, and that Israel was trying to loosen restrictions on the entry of construction material. Israel had two special concerns about the entrance of goods into Gaza: first, that there needed to be an effective monitoring mechanism, and secondly, that Hamas didn't get credit for items that get in. In response to a question from the D/Sec about Hamas's income from the tunnels, Ayalon said that Hamas was flush with shekels and had tried to use Israeli banks to convert them to dollars in order to do business

with Iran; Israel "had not allowed" the currency conversion.

¶12. (SBU) Gal and Ben-Abba expressed frustration at the lack of direct MFA-PA contact. There has been no meeting of the Joint Economic Committee (JEC) since September 2009 to discuss issues of concern, although this was one of the Oslo Accord's best legacies. Instead, Gal said, the PA brings up issues with Mitchell or the Quartet. Deputy SEMEP Rudman noted the difficulties former PA Minister of National Economy Bassem Khoury faced as a result of the last JEC meeting, and suggested that the PA appeared open to re-establishing the dialogue provided that assurances were forthcoming from the GoI that politicization of the meetings would not reoccur. Gal and Ben Abba surmised this would be possible.

¶13. (SBU) Ben-Abba criticized the PA boycott of Israeli products, noting this was not behavior that merited giving the PA WTO observer status. Gal said that Fayyad claims it is a boycott only against West Bank Jewish settlement exported goods, not a full boycott. Lew asked about the ability to distinguish between them, and Gal agreed it was problematic. Nonetheless, Gal said a formal policy of boycotting imports is incompatible with WTO member responsibilities.

D/Sec observed that exposure to WTO disciplines would be valuable for the PA and assist in facilitating positive resolution of these types of issues. He suggested that issues such as the boycott and bureaucratic constraints to economic progress would best be addressed at the working level through the JEC.

¶14. (SBU) Before closing the meeting, Gal said the PA needs to share its long-term vision for its economy and how it intends to attract more investment and R & D. The AHLG is the venue for discussions to pursue this, and he hoped for improved contact in the future. Lew noted that he was indeed struck by the depth of the PA's strategic vision and their often-expressed desire to gradually reduce their need for outside assistance.

#### Funding for Bi-National Foundations

¶15. (SBU) D/Sec Lew raised this issue in order to head off any potential misunderstanding with Israel. Israel had put \$55 million aside to increase the endowments of the three binational foundations, including the Binational Industrial Research and Development Foundation (BIRD) and had requested that the U.S. do the same. Lew noted that budget constraints would make that very difficult for us at this time, since we had just submitted our 2011 budget to Congress (which did not include additional funding for this initiative) and the fiscal environment was also extremely tight. He added that the U.S. was proud of the work of the

foundations and committed to seeking creative collaboration on technology issues, perhaps by facilitating private sector involvement or through other means. Ayalon responded that Israel understood that the money was not available now and would relay that information to his GoI colleagues, but added that he would appreciate further discussion of possible U.S.-Israeli cooperation in this area.

#### Israeli candidate for UNESCO ADG

¶16. (SBU) Ayalon said that Israel was working hard to overcome its diplomatic isolation. He flagged Israel's having recently joined JUSCANZ in Geneva and its hope to join JUSCANZ and WEAG in New York so that it could present candidates for UN positions. Israel wanted to submit a candidate to be Assistant Delegate General for International Cooperation and Communication at UNESCO, and asked for U.S. intervention with new UNESCO Director General Bokova, who "owes you guys her life."

CUNNINGHAM